

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

LR No.: 1370-05
Bill No.: SCS for HS for HCS for HB 488
Subject: Community Enhancement District and Tourism Sales Tax, Children's Services
Type: Original
Date: May 14, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	\$0	\$0

***Does not include costs and incomes which would be caused by local governments adopting local option sales taxes. Costs could exceed \$135,000 in a given year and income is not determinable.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government*	\$0	\$0	\$0

***Does not include costs and incomes which would be incurred only if political subdivision governments and voters approved actions authorized, but not required by this proposal.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Transportation** stated that this proposal would have no fiscal impact on their department.

Officials of the **Department of Natural Resources** assumes there would be no fiscal impact.

SECTION 67.571 - 67.577: MUSEUM AND CULTURAL HERITAGE SALES TAX

Officials of the **Department of Revenue** stated that their department generally is not responsible for the collection of tourism funding, however, should this proposal be voter approved the DOR would be able to collect the sales tax, with existing appropriations, provided the sales tax is established along existing boundaries. **Oversight assumes that should the voters in the eligible county approve the imposition of a museum, festival, tourism sales tax, and the DOR would collect the sales tax, a 1% collection fee would be retained by the DOR and would be deposited in the State's General Revenue Fund. For the purposes of this fiscal note fiscal impact will be shown as \$0. This proposal is enabling legislation and does not mandate the imposition of the sales tax.**

SECTION 67.1005: TRANSIENT GUEST TAX

Officials from **Department of Revenue (DOR)** indicated this proposal would have no fiscal impact since DOR generally does not agree to collect local tourism taxes and they are left up to the political subdivision or municipalities to collect.

SECTION 67.1300: ECONOMIC DEVELOPMENT SALES TAX

Officials from **Department of Revenue (DOR)** indicated this proposal would have no fiscal impact since DOR already administers these sales taxes and the addition of one more county tax (apparently Caldwell County would now be eligible to impose the tax) would not have measurable fiscal impact.

SECTION 67.1360: TRANSIENT GUEST TAX

Officials of the **Department of Revenue and the Department of Economic Development - Division of Tourism**, stated that this proposal would have no administrative or fiscal impact to their departments.

Officials of the **City of Cuba** stated that the transient tax would generate approximately \$22,000 annually.

ASSUMPTION (continued)

Oversight assumes this proposal is enabling legislation and would have no state or local fiscal impact. Local government would have no fiscal impact without voter approval. Oversight will show fiscal impact as \$0

SECTION 67.1775: COMMUNITY CHILDREN'S SERVICES FUND:

Officials of the **Department of Revenue** assume there would be no fiscal impact or administrative impact to their department.

Officials of the **Department of Social Services** stated that it is unknown what impact this legislation would have on the Division of Family Services as the children served may or may not be involved with the agency. Funding for community based services may lead to a decrease in the need for foster care placements. Officials assume no fiscal impact.

Oversight assumes that the Department of Revenue would not collect the sales tax provided for in Section 67.1775, therefore, there would be no fiscal impact to state funds. Local governments that would adopt the one-quarter cent sales tax would realize some administrative impact in the collection of the sales tax, and would have election costs associated with the approval to levy the sales tax. This Section is permissive. Oversight for the purposes of this fiscal note will show fiscal impact as \$0, because this proposal does not mandate the imposition of the sales tax.

SECTIONS: 67.1950 -67.1979:

Tourism Community Enhancement District :

Department of Economic Development officials assume no fiscal impact to their department.

Department of Revenue (DOR) officials stated the DOR's Mainframe sales tax system (MITS) would be able to handle the collections for the district, however, this proposal creates an item tax situation within the district with the exemption of the sales of funeral services within the tourism district. This would require the tax to be collected for the funeral services for state/locals but not for the tourism district sales tax. MITS would need to be modified to all for the creation of items tax. Some current single location accounts would have to report for two locations and in addition, some current two location vouchers filers would now be forced to file a long return. This would generate additional errors and additional key entry. DOR would need one Tax Processing Tech I for every 34,000 errors generated and one Data Entry Operator for every 170,000 returns impacted. Officials estimate costs for 2.0 FTE, with fringe benefits, equipment

ASSUMPTION (continued)

and expense for FY 2002 (\$79,566) , FY 2003 (\$62,323), and in FY 2004 (\$63,903). These estimates include \$13,027 for 381 hours of Programming costs and State Data Center Costs of \$2,478. If the Tourism Community Enhancement District Board elects to have the DOR collect the sales tax there would be income to the State's General Revenue Fund generated from the 1% collection fee as provided for and costs of \$135,647 in the first year DOR would collect the tax and costs of about \$90,000 per year in subsequent years. The amount of income cannot be estimated and is unknown.

Section 67.1965 of this proposal would allow the district board to enter into an agreement with the County Collector of the county where the majority of the area of the district is situated or with the City Collector of the largest city within the district for sales tax collection. **Oversight is not able to determine which collection option a district board would choose, if a district were established, therefore, income and costs to the State's General Revenue Fund will be shown as \$0.**

Officials of the **Department of Elementary and Secondary Education (DESE)** stated that this proposal would have no fiscal impact to their department. Officials stated that Section 67.1968.1(1) requires that ten percent of the revenues generated from the tourism tax be distributed to the school districts within the tourism district based on the revenue collected within each school district. This new revenue would not be a deduction in the state aid formula as defined in Section 163.031, RSMo. The amount of revenue any school district would receive is unknown as it depends on, 1) creation of a Tourism Community Enhancement District; 2) the amount of sales tax approved by voters; and 3) amount of sales within a school district's boundaries.

Officials of the **Cities of Hannibal and West Plains** assumes this proposal is not mandatory and would have no fiscal impact

Oversight assumes that Section 67.1968.2 of this proposal requires that ten percent of the sales tax collected be used for either senior citizen or youth or community enhancement purposes within the district. The board would distribute these funds to the cities within the district based upon the amount of sales tax collected within each city. Section 67.1986.3 requires that seventy-five percent of the revenue is to be used by the Tourism Board for marketing, advertising, and promotion of tourism.

SECTIONS: 67.1922 - 67.1940:

Certain Counties: Water Quality, Infrastructure, Tourism, Economic Development Sales Tax :

ASSUMPTION (continued)

The **Department of Economic Development, the Department of Transportation, and the Office of Administration** assume no fiscal impact.

Department of Revenue officials note that the proposed sales tax would be a county wide tax and DOR's MITS mainframe sales tax system would have minimal changes to the rate and distribution tables.

Stone County officials assume there would be no fiscal impact unless voters would approve the sales tax. Officials stated there would be some costs associated with water quality meetings.

Oversight assumes this substitute does not mandate that local governments initiate the provisions in this proposal. Oversight will show fiscal impact to state and local governments as \$0

SECTION 1- MOTOR VEHICLE CAR RENTAL FEE:

This section would allow Platte County, with voter approval, to levy a one-dollar fee on car rentals. The revenue generated by the tax would be collected by the County Collector, and would only be used for tourism purposes.

Oversight will show \$0 fiscal impact. This proposal does not mandate this tax to be levied. Should the voters approve the tax then the county would have fiscal impact. The amount of revenue that would be generated is indeterminable.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0 *	\$0 *	\$0 *

*** Oversight assumes this proposal is permissive, and tax provisions require voter approval. Oversight notes that if political subdivisions are formed and adopt certain local option sales taxes, there would be initial costs of about \$135,000 and subsequent costs of \$90,000 per year. There would also be income of up to one percent (1%) as a fee for collecting local option sales taxes.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0 *	\$0 *	\$0*

***The local option sales tax parts of this proposal are permissive and require voter approval before local governments would have fiscal impact.**

FISCAL IMPACT - Small Business

Small business located within a Tourism Community Enhancement District or within a Tourism district that would receive voter approval to impose a sales tax would expect to be fiscally impacted to the extent that they would collect and pay the sales tax within those districts. Small businesses of the hotel/motel industry and businesses that rent boat slips for recreational boating that are located in a city or county that would receive voter approval to impose a transient guest tax would be expected to be fiscally impacted to the extent that they would incur additional administrative duties and costs related to collection of the transient guest tax.

DESCRIPTION

SECTION 67.571: Museum and Festival Tourism Sales Tax:

This section would allow the governing body of any county of the first class with a population of more than eighty-two thousand inhabitants and less than ninety thousand inhabitants to seek voter approval of a tourism sales tax for the purpose of funding of museums and festivals.

SECTION 67.1300: County Local Economic Development Sales Tax

This section would allow Caldwell County to impose the tax with voter approval.

SECTION 67.1360: Transient Guest Tax

This section would allow additional cities and counties to impose a tax on the charges for all sleeping rooms paid by transient guest.

SECTION 67.1775 : Community Children Services Fund

This section would allow St. Louis City, St. Louis County, St. Charles County, Jefferson County, Franklin County, Warren County and Lincoln County to impose an up to one quarter of one cent sales tax for community services for children. Current law only allows St. Charles County to enact this sales tax.

DESCRIPTION (continued)

It would increase the age from eighteen to nineteen for people to benefit from the services funded by this sales tax. The moneys collected from this sales tax will be deposited into the county's Community Children's Service Fund and administered by the Board of Directors. (Section 210.860)

SECTIONS 67.1922 - 67.1940: Economic Development Sales Tax:

These sections would authorize Taney, Stone, Barry and Ozark counties or the governing body of any county which borders on or contains part of a lake with not less than one hundred miles of shoreline to enact sales taxes to fund programs that affect Economic Development. Voters may approve up to a one and one-half percent sales tax. The money collected from the tax will be distributed equally among programs for water quality, infrastructure and tourism. When at least twenty percent of the voters who voted in the last gubernatorial election sign a petition requesting the repeal of the tax, the question for repealing the tax will be submitted to the voters.

SECTIONS 67.1950 - 67.1979: Tourism Community Enhancement Districts

These sections would allow the creation of Tourism Community Enhancement Districts by any county containing any part of a Corps of Engineers lake with a shoreline of at least seven hundred miles and not exceeding a shoreline of nine hundred miles or any, city, town or village located in a county containing any part of a Corps of Engineers lake with a shoreline of at least seven hundred miles and not exceeding a shoreline of nine hundred miles. Each District would be governed by a Board of Directors which would be established as specified in the proposal.

The Board could submit up to an one percent sales tax to the voters within the district. The revenue received from the sales tax would be deposited in the Tourism Community Enhancement District Sales Tax Trust Fund which might be administered by the Department of Revenue. Upon distribution of funds to the Board by the Department of Revenue or the county or city collector, the Board would allocate the revenue to programs specified in the proposal.

SECTION 94.812: Branson Tourism Sales Tax

This section would be changed to eliminate the provision that no tax be charged on sales of one dollar or less.

SECTION 1: Motor Vehicle Car Rental Fee

This section would allow Platte County, with voter approval, to levy a one-dollar fee on car rentals. The revenue generated by the tax would be collected by the County Collector, and would

DESCRIPTION (continued)

only be used for tourism purposes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Department of Social Services- Division of Family Services
Department of Transportation
Department of Economic Development- Division of Tourism
Department of Revenue
Department of Elementary and Secondary Education
City of West Plains
City of Hannibal
City of Cuba

NOT RESPONDING:

Cities of : Ozark, Branson, Poplar Bluff, and the County Commissions of : Stone, Taney, and Christian, Counties.



Jeanne Jarrett, CPA
Director
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